

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 95-1237-G - ORDER NO. 95-1735 ✓

DECEMBER 14, 1995

IN RE: Application of United Cities Gas Company)	ORDER
for Approval of an Agreement for Natural)	APPROVING
Gas Service Between Timken and United)	CONTRACT
Cities Gas Company.)	

This matter comes before the Public Service Commission of South Carolina (the Commission) on the November 28, 1995 request of United Cities Gas Company (United Cities or the Company) for approval of a letter agreement executed between it and one of its industrial natural gas users, the Timken Company, located in the United Cities distribution service area of Gaffney, South Carolina.

In its request, United Cities notes that it has been very fortunate in retaining a broad base of high load factor industrial users, which has been the major contributing factor to favorable gas prices for all natural gas customers in Gaffney, South Carolina.

United Cities notes, however, that despite its relatively low gas prices to end-users, the post environment of FERC Order 636 continues to impose competitive pressures by large users facing global competition, necessitating those users to pursue the absolute lowest priced alternative to receiving their natural gas

supply. According to United Cities, the Timken Company is one such user. Timken and United Cities began meeting in October, 1993, to discuss the competitive pressures that Timken's Gaffney plant faces globally. The discussions have continued over time, and in 1995, Timken employed the Clinton Marketing Company to assist them in evaluating lower gas cost options. The Gaffney facility has the added burden of also being in competition with another plant manufacturing the same product at a lower natural gas cost. Clinton Marketing, acting on behalf of Timken, identified the best alternative approach for Timken to be one of bypass, connecting directly to Transcontinental Gas Pipeline. According to United Cities, Timken is less than 20,000 feet from the pipeline, which in both Clinton Marketing's determination and United Cities' determination, presents a feasible alternative, given the customer's annual gas requirement.

Further, according to United Cities, bypass by Timken would result in significant detrimental impact to United Cities' remaining ratepayers in Gaffney. Timken's annual volume has historically approximated 400,000 Mcf and approximately \$325,000 in annual gross margin. Both United Cities and Timken commenced aggressive negotiations in June, 1995. The negotiations culminated in the execution of a letter agreement setting forth a negotiated rate for a primary term of ten years. According to United Cities, this rate is in the best interest of the Gaffney ratepayers, as it preserves a significant contribution to gross margin and load retention for at least ten years. Further, United


Cities notes that, should the negotiations not have been successful and Timken had bypassed, the possibility exists that other customers may consider similar types of bypass.

United Cities requests the Commission's approval of a long-term negotiated transportation agreement. It is noted that the agreement was submitted absent the negotiated rate, as the Company wishes to keep the rate confidential. It should be stated that the rate as negotiated appears to cover the Company's marginal cost, according to the information provided to Staff.

The Commission notes the threat of bypass faced by United Cities, and has examined the situation as a whole. The Commission is cognizant of the fact that competitive pressures are very much present in the post environment of FERC Order 636. The Commission further notes that bypass by Timken would result in significant detrimental impact to United Cities' remaining ratepayers in Gaffney, South Carolina. Because of the above stated reasoning, and based on the information furnished by United Cities Gas Company, the Commission hereby approves the agreement as submitted.

This Order shall remain in full force and effect until
further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

Deputy

(SEAL)